FUELLING PROSPERITY

TaxMail

19 October 2018

GST on low-value imported goods – further detail and timing

The Government has released further details on the proposed collection of GST on low-value imported goods from 1 October 2019.

As previously announced, this will feature an offshore supplier registration model, which is currently in place in Australia. This will require offshore suppliers selling goods with a value not exceeding NZ$1,000 (up from NZ$400 previously) to New Zealand consumers to charge and collect GST, if their total sales to New Zealand consumers exceed NZ$60,000 a year.

The proposals

The key features were described in our previous taxmail and many of the features remain the same. The key changes from the previous announcements are:

- Raising the threshold for collection of GST by the offshore supplier from goods with a value of NZ$400 to NZ$1,000.
- Allowing offshore suppliers to elect to charge GST on goods worth more than NZ$1,000. This election will be available if 5% or less of their total NZ sales are of goods valued over NZ$1,000. Alternatively, suppliers who do not meet this test may apply to the New Zealand Commissioner of Inland Revenue to charge GST on goods over the NZ$1,000 limit.

One impact of raising of the threshold is that customers buying goods worth between NZ$400 and NZ$1,000 may actually be better off than under the current system, because tariffs and New Zealand Customs cost recovery charges will no longer be collected on these shipments.

Offshore marketplaces and re-deliverers remain liable for the GST obligations of the underlying supplies.

The announcements confirm that double taxation will be avoided so that New Zealand Customs does not also collect GST on goods in a consignment over NZ$1,000 where GST has already been charged by the supplier.

Implications

One factor to consider is the impact this will have on the number of offshore businesses supplying low value goods to New Zealand consumers. Will offshore suppliers withdraw from the New Zealand market? This could push up prices from less competition, or consumers having to absorb the cost of using re-deliverers.

The experience from Australia so far is that the transitional issues, particularly systems changes, are significant.

What next?

A bill is scheduled for introduction in November 2018 containing the proposed rules. Using normal legislative timeframes, enactment of the final rules may not take place until June or July 2019, which will result in a very short timeframe for offshore suppliers to make the necessary systems changes.

Key issues to look out for in the bill, or requiring attention by affected parties include the following:

- Systems changes for offshore registrants;
- Pricing considerations;
- Application to different marketplace models;
- What are the practical measures to prevent double taxation at the border, i.e. where the offshore supplier has already charged GST at the point of sale?

John Cantin
Partner, Tax
Wellington
T: +64 4 816 4518
Email John

Peter Scott
Partner, Tax
Auckland
T: +64 9 367 5852
Email Peter

Simon Taylor
Director, Tax
Auckland
T: +64 9 367 5809
Email Simon

KPMG NZ Head Office:
18 Viaduct Harbour Avenue
PO Box 1584
Auckland 1140
T: +64 9 367 5800